

# The Road to Understanding Auto Insurance



## MONTANA STATE AUDITOR'S OFFICE

Montana's Department of Insurance

*Protecting Montanans through  
insurance & securities regulation*



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[www.sao.mt.gov](http://www.sao.mt.gov)

# Auto Insurance – What is it?

- Auto Insurance is a contract between you and the Insurance Company. If the contract says there is coverage for a specific thing then the company will pay – if the contract does not say there is coverage for that specific thing then the company won't pay.
- If there is a covered loss, the insurance company agrees to pay on your behalf if you are found to be at fault or “liable”.
- Your insurance company will pay losses you are legally liable to pay up to the limits of coverage you have chosen to purchase.
- Insurance protects your assets, in case you are found liable for injury or damage caused to someone else.
- Your insurance policy may also pay for your legal defense if you are sued as a result of an accident.
- You choose the types of coverage and the amount of coverage you want, based on your needs.

# Montana Law

- Montana Law requires that you are “Financially Responsible” for injury or damage you may cause. Most people choose to buy a policy of insurance to satisfy this requirement.
- Requires you to show proof of “financial responsibility” to an officer when he asks for it.
- Requires you to immediately report any accident with more than \$500 in damage or injury.



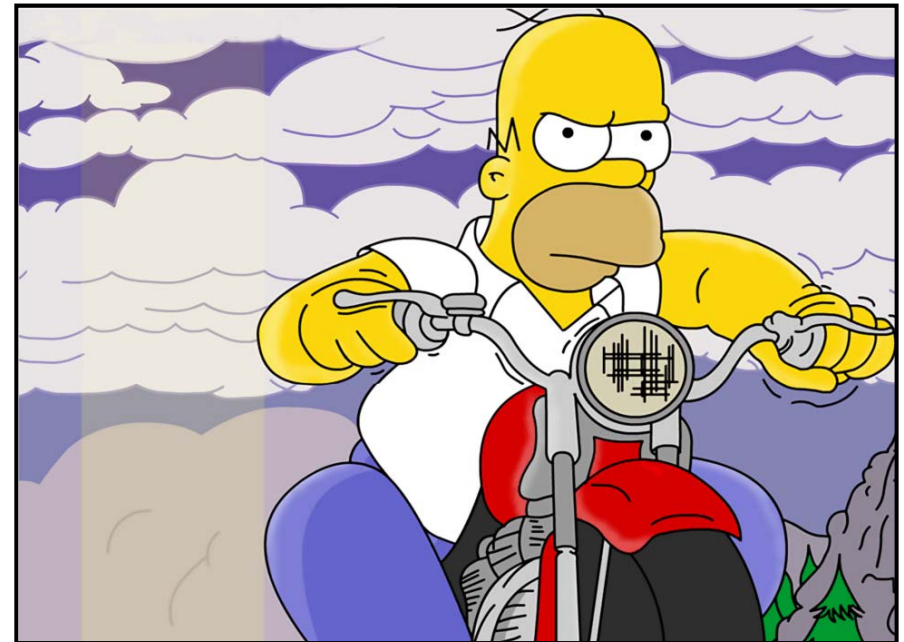
# Coverages

- Bodily Injury / Property Damage Liability
- Collision
- Comprehensive
- Uninsured / Underinsured Motorist
- Auto Medical Payments
- Towing
- Rental Reimbursement
- Death & Dismemberment
- Loss of wages
- Many other optional coverages available



# Liability

- Liability basically protects the rest of the world from you!
- If you cause damage or injury to someone else, your policy of liability insurance would pay for that injury or damage on your behalf, up to the limits of liability you have chosen to purchase.
- The State of Montana requires minimum limits of \$25,000 per person, \$50,000 per accident for bodily injury and \$10,000 for property damage, although higher limits are recommended.



# Collision

- Collision coverage pays for damage caused to your covered vehicle if you “collide” with something or someone and are found to be at fault or if the person at fault has no insurance.
- Collision with another car, or object whether stationary or moving.





# “Chargeable Losses”

- Most collision claims are considered to be “at fault” or “Chargeable” losses.
- This means that your insurance company can “surcharge” or increase your premium because of an “at fault” accident.
- Montana Law states that a Company cannot charge you for an accident or ticket that is more than 3 years old.



# Comprehensive

- Comprehensive coverage is for damage to your vehicle caused by things “other than collision”
- Wind, Water, Fire, Hail, Theft, Vandalism, Falling objects, animal collision, glass breakage etc.
- Usually things considered out of your control or an act of Nature are covered under comprehensive coverage.
- Comprehensive losses are generally considered “not at fault” or “non-chargeable” accidents.





# Deductibles

- You will choose a “deductible” amount for Collision and Comprehensive coverages
- This is the amount you agree to pay out of your own pocket before your insurance company pays.
- The higher your deductible, generally the lower your premium (the cost of the coverage) will be.
- The most common deductibles would probably be \$250.00 for comprehensive losses and \$500.00 for collision losses.

# Your Vehicle's Value

- Have a realistic view of your car's actual cash value.
- In the event of a total loss you are owed your car's actual market value.
- You are not owed the amount of \$ you have put into it or the amount you owe on your car loan.





# Custom Equipment

- Only items that are actually “permanently installed” or made a part of the car are covered for theft.
- Aftermarket stereo equipment needs to be actually bolted down – not just wired in.
- Check with your Company to see if there are any special “limits” on accessories.
- Ipods, CD's, cell phones etc. are **NEVER** covered for theft under your auto insurance policy.





# Auto Medical Coverage

- Pays medical bills for you or your passengers regardless of who was at fault in the accident.
- If you are injured riding in, getting into, getting out of your vehicle or someone else's.



# Uninsured / Underinsured Motorist

- Pays Medical Bills, Lost wages, Pain and Suffering etc. if you or passengers in your car are injured by someone who has no insurance (uninsured) or by someone who does not carry enough insurance to pay your damages (underinsured).





# Optional Policy coverages

- Many other coverages are available to add to your policy at an additional charge if you want them.
- Towing (if your car breaks down).
- Rental (rent a car if your car is in the shop due to a COVERED loss).
- Accidental death / dismemberment as a result of an auto accident.
- Lost wages (if you're off work due to an injury suffered in a covered accident).
- Injury coverage for your pets (if they are injured in a covered accident).
- Vehicle replacement with no depreciation.





# Premiums

- Premiums are the amount of money the Insurance Company collects from you in exchange for the coverage they provide.
- The Company “pools” your money with everyone else's so they can pay claims as the occur.



# Keeping your premiums low

- Good Student discount can be as much as 20-30%.
- Usually requires 3.0 GPA on semester grades.
- Your Company may have a driver education program of it's own that may lower your premium.
- Zero tickets or "at fault" accidents.



# Citations

- Traffic violations DO increase the cost of your insurance.
- MIP tickets DO go on your driving record whether or not you were in a car (even if you didn't have a drivers license yet).
- Moving violations stay on your driving record for 3 years.
- Multiple tickets and/or accidents within a 3 year period can result in cancellation by your insurance company.





# Alcohol Related Citations

- Most Insurance Companies take a very serious view of alcohol related citations and /or accidents.
- An alcohol related violation or accident can result in cancellation of your insurance policy and /or inability to obtain coverage with a regular market carrier.



# Policy Exclusions

- Some Auto Insurers will not cover you if you use your vehicle for any Type of delivery job.
- Before taking a job as a delivery driver – always check with your insurance company to be sure they will cover you!



# Vendor Single Interest Coverage

- If you have an auto loan and you do not get insurance to cover the vehicle, the bank will do it for you **BUT**
- It will cost significantly more.
- It will only cover the **BANK'S** interest in your car.
- If you total your car, it will pay off the bank but nothing more – no matter how much equity you have in your car.
- Vendor Single Interest coverage does not provide Liability coverage.

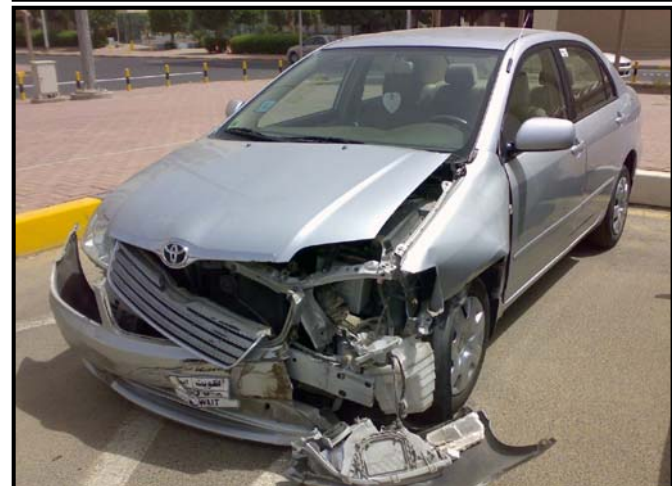
Get Started Here:



**Auto Loans** for  
any credit type!

**FAST & EASY**

Apply Now!





# Report Accidents to the Police

- It's the Law. You must report any accident where there are injuries and/or more than \$500 in vehicle damage.
- The police report will document what happened.
- If police won't respond – have both drivers write a statement as to what happened, sign it and exchange them. This will ensure the other drivers story won't change later. Try to find a witness and get a written statement from them.



# Permissive Operator

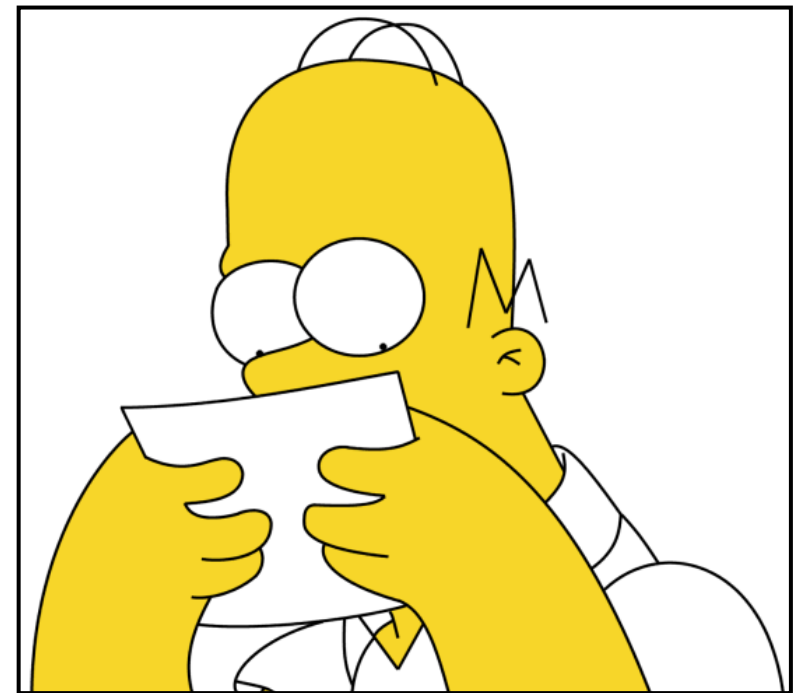
- If you let someone drive your car....
- Your policy may cover other drivers using your car with permission.
- Your policy premium can increase because of an accident another driver has in your car.
- Think carefully about it before you let someone drive your car – it could cost YOU!





# Read it!

- Read your policy!
- Know what coverage you are buying BEFORE you have a claim.
- You pay a lot for insurance – know what you're getting for your money!
- Ask your Agent if you have any questions.
- Ask your Agent if there are any other ways to save money on your policy.
- CALL Montana Department of Insurance if you have any problems or questions! Toll free number is: 1-800-332-6148.



# Be safe!



*“Learning to drive is a serious matter. Every time you get behind the wheel, safety needs to be your number one priority.”*

*The best insurance policy in the world won’t protect you or others from serious injury or death. Be safe, be careful, be aware, and you can prevent an accident in the first place.”*

~ John Morrison  
Montana State Auditor and  
Insurance Commissioner  
2000-2008



# Contact Information

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